



**Special Meeting of the Elk River City Council
Held at the Elk River City Hall
Thursday, February 8, 2018**

Members Present: Mayor Dietz, Councilmembers Olsen, Oval, Westgaard, and Wagner

Members Absent: None

Staff Present: City Administrator Calvin Portner, Parks and Recreation Director Michael Hecker, City Engineer Justin Femrite, Finance Director Lori Ziemer, and City Clerk Tina Allard

1. Call Meeting to Order

Pursuant to due call and notice thereof, the meeting of the Elk River City Council was called to order at 5:04 p.m. by Mayor Dietz.

2. Pledge of Allegiance

The Pledge of Allegiance was recited.

3.1 Discuss Improvements to Ice Arena and Lion John Weicht Park

Lions Member Scott Trenholm stated the Lions Club voted not to take over Lions Park Center.

Mayor Dietz asked if the Lions discussed whether they had any interest with locating into the arena.

Mr. Trenholm stated there was no discussion about it or the use of the rest of Lion John Weicht Park.

Mr. Portner presented the staff report. He discussed the University of Minnesota Extension Service study for sales tax in Elk River. He stated the university representative believes the city should complete a separate study from the county but noted they would give both the city and the county a discount because some of the data would be the same.

Mayor Dietz stated he discussed the study with Sherburne County Commissioner Tim Dolan. He stated the study is very extensive and outlines how much the tax would affect taxpayers versus visitors from outside the city. He stated he feels it is worth the money to complete the study.

Ms. Ziemer presented the tax impacts for the ice arena portion of the levy. She stated debt service projections are based on a \$25 million bond payable over 25 years with a stipulation the first four years of repayment of the debt service be interest only until the public safety bonds are paid off in 2023. She stated the tax impact on a

\$200,000 home would see an increase of \$77 with our current Net Tax Capacity (NTC). She stated the NTC has an average growth of 4.5% over the past four years and this percentage was calculated into each year. She explained how the tax impact would decrease in 2019 on a \$200,000 home to \$74. And how the tax impacts would decrease each year as growth happens. Ms. Ziemer further discussed the tax impacts for 2023 when the principal is included, noting the net effect would be a \$100 increase on a \$200,000 home and would further decrease with growth each year.

Councilmember Westgaard confirmed the examples provided in the packet only takes in the current net tax capacity and does not grow it inflationary with any additional homes or business expected to be added to the tax base.

Staff confirmed yes.

Ms. Ziemer explained the city's total levy impact with factoring in the arena's debt levy. She stated with the county-estimated 2018 tax rate based on current NTC the tax rate should be 46.01%. She stated if inflationary increases were factored in for 2019, the tax rate would be about 48.965%, which equates to a tax impact on a \$200,000 home of \$53, with the \$1 million levy added.

Councilmember Wagner questioned how taxes would change when future needed building projects such as the fire station, Highway 169, and the \$9 million parks and recreation funding. She expressed concerns with Council not considering the big picture by including future projects. She stated it makes sense to consider a sales tax to help spread out the costs especially since some of the association members are not from Elk River.

Mr. Portner explained how future anticipated growth will determine when the city needs a new fire station. He stated this growth will drive the fire station build out and the new growth will be beyond the 4.5 % outlined in the tax impact projection Ms. Ziemer presented earlier. He stated the Park Improvement Fund is part of the fee discussion Council had earlier in the week to determine another revenue source for offsetting operational costs. Mr. Portner stated the tax abatement line item for new construction will go away in time, tax increment financing will decertify, and it would be recommended to continue collection of that revenue to fund the Capital Reserve Fund for additional park improvement costs. He stated the city may be eligible to use Municipal State Aid (MSA) funds for portions of transportation projects.

Mr. Femrite discussed the Corridors of Commerce and the various payment split options. He stated there may be funding options through MSA, the pavement fund, the county, and other local options through Region 7W for federal funding.

Mayor Dietz stated a 0.5% sales tax based on 2015 sales would generate a minimum of \$2 million. The city's bond payment would be about \$1.7 million. He stated he asked staff to review whether the remainder of the revenue generated from the sales tax be used for park improvements and possibly for Lake Orono dredging.



Mr. Portner stated language could be added to allow these additional improvements but Council will need to identify a timeline, project details, and costs.

Councilmember Wagner stated her goal is to change public perception that they aren't heard. She stated she heard many options from the public about what they want and a majority wishes the previous referendum had passed. She stated she wants to make sure the entire Council is on the same page before moving forward and all options have been exhausted. She feels this isn't the right plan and the single multipurpose facility is needed in this community. She stated the original referendum benefitted a much larger percentage of people when comparing the costs between the two options. She stated the first plan looked at economic impacts and the ability for growth on the west side of the city noting the vacant land in the area business and homeowners would want to be apart of.

Councilmember Wagner stated the location of the arena plan makes sense for the school district and is easy for kids to access. She stated the done (fieldhouse) is the additional right thing to do but has concerns for the amount of funding expected to be spent on this project when the only clear way to pay for it is a property tax levy. She stated she feels like Council is of the consensus to go for a sales tax referendum and the bond payment would be covered but only if the sales tax passes. She questioned if the Council is willing to use these numbers knowing all the other projects on the horizon and if the sales tax referendum doesn't pass it will go on a property tax levy. She asked if this location and funding are the right way to go. She questioned if an economic impact study might help determine what an investment of this type means to a city.

Mr. Portner stated there may be a study through DEED. He cited the new Prairie View Elementary in Otsego where, according to the superintendent, the new school resulted in the return of 500 students who had open enrolled outside the district, likely because people moved because they see the value. He noted how his examples showed there is an economic boost with having new facilities. He further mentioned past history in Elk River when the district was changing the boundaries for Twin Lakes Elementary and the concerns with moving to an older school.

Councilmember Wagner agreed there is value when a city invests in itself. She stated when people look at communities they look at what is new and shiny. She stated she is against moving softball to Oak Knoll Park and the field house becoming a third sheet of ice in the future. She stated these two pieces hold her up.

Mayor Dietz stated there are only two choices for financing; property tax and sales tax. He stated this will go to property tax if the referendum fails.

Councilmember Wagner asked the mayor if he is okay with this.

Mayor Dietz stated he has never been okay with it going on property taxes so it is why he is proposing the sales tax.



Councilmember Ovall questioned Mayor Dietz if he is linking the repayment with the sales tax. He questioned if he is saying he doesn't want to move forward with the project until Council definitively knows it is moving forward with sales tax funding.

Mayor Dietz stated no. He stated he wanted a special election for the sales tax but found it is required to be on the November ballot. He stated the majority of Council voted to move forward with this project but he still needs to participate in the discussions and vote on project details as they happen. He stated it could be explained to the public how a sales tax option would work versus a property tax option.

Councilmember Ovall stated he wanted to clarify whether one drove the other or if the mayor were recommending moving forward with bonding and if it fails Council is stuck with the property tax option. It sounded to him like Mayor Dietz didn't want to wait for a conclusion on the sales tax referendum to move forward with the arena.

Mayor Dietz noted this was a good point and he needs to think about it.

Councilmember Westgaard stated Council had this discussion when talking about the community center. He noted the city has three failing facilities and questioned if Council is willing to replace them. He questioned what the plan would be if voters say no to the referendum. He stated this was laid out very clearly in the literature to the community. He stated the sales tax seems like a good funding option to help spread the tax burden beyond the local tax base but asks what happens if it fails. He noted the city has gotten benefit in its building fund from the landfill and been able to construct a lot of buildings and deferred and paid for a lot of bond payments and as a result hasn't been a burden on taxpayers. He stated Council wouldn't be having this discussion if talking about a police/fire station, but are now because the arena is more controversial. He stated it is a quality of life issue. He questioned if Council should replace the arena to maintain current service levels. He agrees combining all three facilities was a better dollar value, but it was voted down and he questioned how many times the city should go back to voters. He stated this community has looked at community centers for 16 years. He stated as policy makers Council has the ability to build and bond for a community center if they feel it is a better project.

Councilmember Ovall stated a lot of issues need to be broken down for him. He questioned how many times a sales tax has been turned down by the state or governor.

Mr. Portner stated he is not sure it has been turned down but wants Council to know; per a consultant, Elk River is closest to the metro and these are different political times. He stated most of the sales tax allowances have been for regional centers or out state communities.

Councilmember Ovall stated there are a number of other cities and counties around us utilizing sales tax.



Mayor Dietz noted most of the sales tax collections around us are county collected for transportation and noted Sherburne County is considering a similar option.

Mayor Dietz stated he spoke with Representative Zerwas who told him whenever a local sales tax has been approved by its citizens; it has never been turned down by the legislature.

Councilmember Oval questioned how many arenas have been funded without a referendum.

Mr. Portner stated he doesn't have the answer for this meeting but noted the City of Shakopee had three failed referendums and they ended up building an arena.

Councilmember Oval stated this is the biggest expense ever put forth on the community and it is for an amenity versus a need which is tough for him. He stated he wants to revisit the numbers because they have been tossed around differently. He noted how past literature outlined the city would still spend money if the vote is no but it stated it would be for about \$10-12 million and Council is now discussing \$23 million noting this doesn't include other facilities needing work. He stated he has an issue with moving forward on the current arena project based on what was stated in the literature. He further stated he wants to communicate with citizens and do another referendum if Council is deviating from the \$10-12 million.

Mr. Portner stated the referendum literature stated, at a minimum, the city would still spend \$10-12 million to replace the ice plants, fix the roofs and corrosion in the Barn and didn't add other needed spaces such as locker rooms. He stated on January 17, 2018, Council rejected that process and gave consensus to move forward with the other option based on the task force report.

Councilmember Oval stated he wouldn't have voted for the other \$23 million option if he understood what he had been voting for. He understood it to mean Council had to act on something versus kicking the can down the road He assumed there would be more citizen engagement with the project.

Councilmember Westgaard stated he does not follow Councilmember Oval's comments.

Councilmember Oval stated he voted against the arena project and doesn't recall voting for a \$23 million building option.

Councilmember Westgaard stated in January the discussion was what the Council should do now.

Mr. Portner stated the January meeting gave direction to staff to engage 292 Design Group in order to review previous architectural plans and to engage JLG Architects for an option with combining uses/facilities and to engage the YMCA to look at



senior programming options. He stated in April 292 Design and JLG Architects presented Council cost estimates for design. He stated after that meeting Council directed staff to work with the school district because the design would infringe on softball fields. He stated in May they met with the school district about their plans but it got pushed back due to a superintendent not being on board at the district yet. He stated this is when the \$25 million option was presented. He stated Council was asked if they wanted to move forward with a Request for Proposal for architectural services, which were approved, He stated Council was asked whether they wanted to commit to this project. He stated that presentation more accurately reflected the dollar amount. He stated Council did see the funding and voted on it.

Councilmember Ovall stated he voted against the \$25 million option but at subsequent meetings he thought it looked like it had already been approved and he figured he wanted the work done properly so hiring a construction manager seemed like the right thing to do.

Councilmember Wagner stated she wanted to move this forward due to time spent by the task force and it made the most sense to put the facilities together. She stated she felt frustrated because Council said what they were planning to do and she thought it was clear if the referendum failed Council was still going to move forward with improvements. She stated she never expected this to be a \$10-12 million project but feels a lot of people did. She stated the right thing to do is to go back and regain public trust. She stated the public also has a lot to do on their end and it is unfair to write false accusations about people they don't even know. She stated she would like to reconsider a referendum. She understands if it fails they need a backup plan. She stated she receive a lot of comments from people who said if they had known better what the referendum stood for, they would have voted for it. She stated she has always been on board about needing to do something but doesn't feel the current plan is the right one. She stated Council needs to reconsider a referendum but doesn't feel it necessarily needs to be the same as the last one. She suggested some things could be done differently or better, such as a different location.

Councilmember Ovall stated by citing the \$10-12 million and what we would do if the referendum failed to maintain current (minimum) service levels. He stated the upgrades were bonuses and frankly maybe isn't needed for the arena. He stated he doesn't disagree the facility is dated not the most functional but it goes beyond scope of what was communicated to the public.

Councilmember Westgaard stated the literature did lay out the three options Council was considering acting upon if the referendum had failed.

Councilmember Wagner concurred but feels not everyone understood it. She noted the city did hold extensive stakeholders meetings with 30+ groups.

Councilmember Westgaard noted the city held numerous community engagement meetings at several different forums at several different levels.



Councilmember Wagner stated it wasn't enough and not soon enough.

Councilmember Olsen stated the ballfields are an option to locate at Lions Park based on the Lions vote at their meeting. He stated Council can do what it needs to with Lions Park Center and take it off the tax rolls. He stated a student athlete's time is of the essence so it makes sense to keep the arena at its current location. He stated the drive from the high school to Lake Orono Park doesn't make sense. He stated his focus is the student athlete. He stated he likes Eden Prairie's model of having the activity center nestled with the school campus. He stated he is in favor of the current arena project.

Mayor Dietz stated if the arena project is for the student athlete then why the city should pay for it versus the schools. He stated he needs more reasons to spend \$25 million for an arena.

Councilmember Wagner stated she is supportive of kids and it's the number one reason why she supports doing something here. She stated driving across town was discussed by the task force but it was noted road improvements will make it easier. She stated this wouldn't derail her from looking at another location noting other kids have to drive for their activities all the time.

Councilmember Olsen requested to enter Dave Williams email to the record. He noted the city bought a used arena facility and maintained it on cheap.

Mayor Dietz stated he takes offense to the comment about the arena being built on the cheap noting although they installed a used ice plant it lasted for 20 years and the city got its money's worth. He stated when the arena was built Council was told it would generate revenue because surrounding hockey groups would use the facility but this turned out not to be true because everyone started building arenas and received grants funding for them.

Councilmember Wagner stated before making a motion to go back to referendum she would like to see Council lead the charge to revisit this matter. She stated if she is spending \$24 million she would rather see a larger project to make a bigger difference.

Mayor Dietz clarified if Councilmember Wagner wanted to revisit the project first before deciding if a referendum is needed.

Councilmember Wagner stated the city should do a referendum.

Moved by Councilmember Wagner to revisit putting the community center option back to referendum.

Mayor Dietz questioned if Council wanted to call this a community center because it's not really its intent.



Councilmember Wagner suggested calling it a civic center.

Councilmember Wagner amended her motion for Council to bring back a multipurpose facility for a referendum vote.

Mayor Dietz questioned if the referendum would be for November of this year.

Councilmember Wagner stated yes.

Mayor Dietz seconded the motion.

Councilmember Ovall questioned what he is voting on. He questioned if he is voting for a civic center at Lake Orono Park. He expressed concerns with the many geographical issues in the city such as the highways and railroads. He questioned where the percentage of population lies between the east and north sides of town. He noted the traffic issues around Lake Orono with the fireworks. He questioned what the right place is based on the user of the facility. He discussed spin off economic development and asked if the gravel mines should be evaluated as an option.

The maker and seconder of the motion both agreed the motion does not identify a site specific location.

Councilmember Wagner stated the motion includes the Council leading the effort.

Mayor Dietz, the seconder of the motion, agreed.

Mayor Dietz stated he is opposed to the Dave Anderson Complex at Lake Orono Park and prefers the current high school site.

Councilmember Ovall stated he understands it's Council's authority to make decisions on what they believe is best for the community but when it comes to discretionary spending he will always put it to the citizens.

Councilmember Olsen stated the city needs a first class structure that will last a long time and he is in favor of continuing with current process and sales tax options.

Councilmember Westgaard stated he is not in favor of doing a referendum because the city has been down this road many times over 20 years and has three facilities rapidly approaching or have already exceeded their lifespan. He noted every referendum has failed and Council continues to not make a decision. He asked the three Councilmembers for the referendum what their contingency plan is if there is a failed vote. He further stated there was discussion in January that if there isn't the appetite to own an arena, then sell it and get out of the business. He stated it isn't responsible to own and operate dilapidated facilities without any plan to repair them. He state Council had this discussion and said they would move forward. He stated



he is in favor of the sales tax option. He stated the project needs to continue to move forward, noting it also fits within the strategic plan of the school district. He stated if the tolerance isn't there for an arena, then vote to shut it down.

There was discussion about past referendum votes.

Motion passed 3-2. Councilmember Olsen and Westgaard opposed.

Mr. Portner stated Council may want to take action on the resolution regarding the two contracts with 292 Design Group and RJM Construction.

Mayor Dietz asked if they can be put on hiatus. He stated Council needs to figure out what to put on the ballot and whether these contractors would do this work.

Councilmember Westgaard stated the current contracts are for architectural services for the arena and construction services and it makes no sense to incur more costs.

Staff was directed to talk with the city attorney or the contractors and report back at the next meeting.

Mr. Portner stated the timeline is very tight and Council needs to determine where they want to start, such as with the task force information. He stated a specific location needs to be decided upon before ballot language can be drafted. He questioned if Council wanted to hire a facilitator. He stated more direction is needed from Council.

Councilmember Wagner volunteered to work directly with Mr. Portner to create a timeline and some next steps before moving forward stating it needs to be a Council led project while still obtaining public input.

Mayor Dietz stated the goal should be to have everything ready by July in order to have enough time to communicate the project to the public.

Councilmember Wagner further asked the public to take responsibility in participating.

Councilmember Olsen stated it is the nature of the times regarding social media and asked for people be directed to the website which highlights the arena project.

Councilmember Olsen stated he would like to participate in discussions with the YMCA regarding the activity center.

Councilmember Wagner noted part of this project may bring back the activity center.

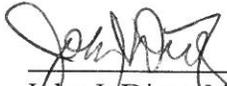
Mayor Dietz stated the city should still explore the YMCA option and Councilmember Olsen should coordinate with Mr. Portner.



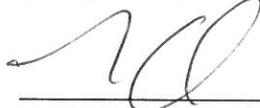
Council consensus was to keep proceeding with the YMCA option.

4. Adjournment

There being no further business, Mayor Dietz adjourned the meeting of the Elk River City Council at 6:41 p.m.



John J. Dietz, Mayor



Tina Allard, City Clerk